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C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 001523

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SUBJECT: JAPAN PREPARES FOR VISIT OF IRAQI PRIME MINISTER
AND FIVE MINISTERS

REF: TOKYO 1384

Classified By: Ambassador J. Thomas Schieffer, reasons 1.4 (B),(D)

¶1. (C) Summary: Following Vice President al-Hashimi's successful visit to Japan (reftel), Iraq Prime Minister Nuri al-Maliki will visit Tokyo April 8-11. The GOJ initially invited al-Maliki plus one Minister. However, according to Japanese Embassy Baghdad Deputy Chief of Mission Fumio Iwai, five ministers will accompany the Prime Minister. They include: Minister of Oil Husayn al-Shahristani; Minister of Electricity Karim Wahid al-Hasan; Minister of Industry and Mineral Resources Fawzi al-Hariri; Minister of Municipal Affairs and Public Works Riyadh Gharib; and Minister of State for Foreign Affairs, Rafi al-Issawi.

¶2. (C) MOFA Second Middle East Division Director Katsuhiko Takahashi told AID Counselor that MOFA hopes to capitalize on the visit to continue Japan's supporting role for Iraqi national reconciliation, to complete the "due process" of finalizing offered yen-loans, i.e., the signing, approval and execution, to encourage Japanese business support and involvement in rebuilding Iraq, and to fortify Japanese public support for Iraq. End summary.

Continuing Support for Iraqi National Reconciliation

¶3. (C) At GOJ invitation, Iraqi Vice President Hashimi visited Japan two weeks ago (reftel). Vice President Hashimi, the highest Sunni official within the Iraqi Government is now followed by Prime Minister al-Maliki, the highest Shiite official, noted MOFA International Cooperation Bureau Second Country Assistance Planning Division Director Naofumi Hashimoto. Hashimoto asserted that Japan is very keen to bring all sides together in national reconciliation. Since former Prime Minister Koizumi's "consolidation of peace initiative" speech in Australia in August 2003, MOFA has increasingly sought opportunities where Japan can assist in pre-conflict or post-conflict negotiations, he affirmed.

¶4. (C) Between the visit of the Vice President and the up-coming visit of the Prime Minister, the GOJ hosted a week-long "Seminar for Iraqi National Reconciliation." MOFA, through the Japan International Cooperation Agency (JICA), conducted the March 25-31 national reconciliation program for 13 members of the Iraqi Parliament, who were led by Minister of State for National Dialogue Akram al-Hakim. Fifteen Iraqi Parliamentarians representing the major Iraqi groups were invited to the Seminar; 13 accepted the invitation. The group of 13 parliamentarians was composed of six Shiite, three Sunnis, three Kurds one of whom is Christian, and one

Turkman. Director Takahashi informed AID Counselor that JICA contracted experts familiar with reconciliation efforts in South Africa, Indonesia's Aceh province, Cambodia and Northern Ireland to hold intensive discussions focusing on reconciliation. At the end of the week, the 13 members traveled to Hiroshima to view and discuss post-war reconstruction. Upon returning to Tokyo, the members met with Foreign Minister Aso. MOFA Iraq Desk Officer Chiharu Umesawa, who accompanied the team throughout the seminar, told AID Counselor the program was an excellent opportunity for the Iraqis and for the Japanese. She said that when they arrived, the 13 Parliamentarians knew each other only by appearance, but during the week they were brought face-to-face to discuss the issues, issues that other nations in conflict have also faced and overcome. Umesawa said that most of the Parliamentarians were very emotional when they visited the Hiroshima Peace Memorial and Museum, and discussed post-conflict reconstruction. MOFA Second Middle East Director Takahashi judged the seminar, built on Japan's "Consolidation of Peace Initiative", very successful. He opined that the upcoming visit of the PM and his five ministers, the total entourage being 25, will also "bring together" Iraqis who are hopefully open to "reconciliation" as well as Iraq's reconstruction.

ODA Loans to Iraq

15. (SBU) At the Madrid International Donors Conference for Iraq (October 2003), Japan pledged USD 3.5 billion in yen-loans for the reconstruction of Iraq. Since then the Japan Bank for International Cooperation (JBIC) has

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identified more than 18 projects. Four projects (Port Sector Development Project--approximately USD 260 million, Irrigation Section Loan Program --approx. USD 80 million, Al-Mussaib Thermal Power Plant Rehabilitation Project --approx. USD 310 million, and the Samawah Bridges and Roads Construction Project --approx. USD 30 million) are ready for execution, with both the Japanese Ambassador and the Iraqi Minister of Finance having "exchanged notes". However the Iraqi Parliament has yet to approve the loan agreements for these projects. One senior JBIC official said that the continued delay in Iraq results from little understanding of the "legal due process" as well as fear of accountability.

16. (SBU) In late 2006, JBIC prepared an additional four loan projects approved by the Japanese Cabinet. Japanese Embassy Baghdad DCM Iwai (formerly MOFA Second Middle East Division Director) said that it is planned that on April 9 the Japanese Ambassador to Iraq and the Iraq Ambassador to Japan would "exchange notes" (the first step in the loan agreement process). These projects include:

(a) Basrah Refinery Upgrading Project --approx USD 20 million. Outline: The construction of a new plant which will contribute to increasing the productivity for refining gasoline and other oil projects in the existing refinery located in Basrah Governate.

(b) Khor A-Zubair Fertilizer Plant Rehabilitation Project --approx USD 160 million. Outline: Supply of machinery for Kohr Al-Zubair Fertilizer plant located in Basrah Governate.

(c) Crude Oil Export Facility Rehabilitation Project --approx USD 450 million. Outline: Construction of an on-shore/off-shore pipeline to export oil and installation of off-shore loading facilities in Al-Fao, Basrah.

(d) Electricity Sector Reconstruction Project--approx USD 290 million. Outline: Supply of the machinery and materials for the transformation in the power supply and distribution section to stabilize the power supply mainly targeting the areas with high priority.

¶7. (SBU) Within the past month, JBIC has prepared an additional two loan projects which MOFA Second Middle East Director Takahashi told AID Counselor will lend more balance to the loan portfolio. These following two projects will be approximately YEN 57 billion, or approximately USD 490 million.

(a) The Basrah Water Supply Improvement Project: The project objective is to improve the water supply situation of Basrah and Hartha cities through rehabilitating existing water networks, constructing new water treatment plants, and rehabilitating the transmission and distribution network.

(b) The Electricity Sector Reconstruction Project in the Kurdistan Region: This Project will supply the machinery and equipment, and develop the necessary facilities for the substations and distribution sector, aiming to stabilize the power supply in the Kurdistan Region (northern governorates comprising of Dohuk governorate, Erbil governorate and Sulaimaniya Governorate).

¶8. (SBU) Director Takahashi noted these two projects require the approval of the Japanese Cabinet (Minister of Foreign Affairs, Minister of Finance, and the Minister of Economy, Trade and Industry), which, he affirmed, will be given before the visit of PM al-Maliki.

¶9. (C) On April 9 JBIC Deputy Governor and Managing Director Yoshiko Morita will meet with the four line ministers (Oil, Electricity, Municipal Affairs and Public Works, Industry and Mineral Resources) to review the ten projects, and discuss the "due process" required to legally implement these ODA loans. MOFA Second Country Assistance Planning Division Director Hashimoto said that during the short visit, the GOJ is planning every effort to have Prime Minister al-Maliki and the five ministers understand the significance of Japan's ODA yen loan, imploring them to have the Iraqi Parliament approve the first four projects and as well to have Parliament approve the second four loan projects after the April 9 "exchange of notes" in Tokyo. Director Hashimoto added that the announcement of the two new loan projects will again clearly demonstrate Japan's full commitment to the reconstruction of Iraq.

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Japanese Industry and Businesses Supporting Reconstruction

¶10. (C) The Ministry of Economy, Trade and Industry (METI) and the Japanese business community are clearly interested in helping to rebuild Iraq, noted Director Takahashi. Numerous Japanese construction firms have the blueprints of power plants, waterworks and irrigation systems, hospitals, etc. that they constructed in the 1980s, and are eager to become involved in Iraq again.

¶11. (C) On April 9, the METI Minister Akira Amari and the METI Energy Agency will meet with the Iraq Ministers to discuss reconstruction. DCM Iwai commented that the "hydrocarbon law" presently being discussed in the Iraqi Parliament is being closely watched by METI, other ministries, and of course, the private sector. Director Takahashi informed AID Counselor that on April 10, Keidanren's Committee on the Middle East and North Africa is hosting a meeting with the visiting Ministers and possibly the Prime Minister. The Committee Chairperson is Fumiaki Watari, Chairman of the Board of Nippon Oil Corporation.

¶12. (C) On April 4, DCM Iwai told AID Counselor that he and others remain extremely busy attempting to arrange meetings, but MOFA, MOF, and METI all want to encourage the Japanese private sector to become involved and to invest in Iraq. DCM Iwai reiterated what Director Takahashi had stated, saying

again that Japan needs to capitalize on this important visit.

Iwai noted that four critical ministers are coming even though the MOFA invitation was only for the PM plus one minister, so Japan must wisely use these two days (April 9 and 10).

Public Support for Iraq

¶13. (C) Director Takahashi said that the Iraqi Vice President's address to the Diet greatly strengthened Diet support for Iraq. The Vice President's expression of gratitude for what Japan has done so far was warmly received and widely reported, he said. In February the Diet had approved more grant aid assistance for Iraq (USD 100 million) with the total of grant aid assistance now totally more than USD 1.6 billion, plus the pledged USD 3.5 billion yen loans.

¶14. (C) DCM Iwai said the Japanese public needs to perceive the significance of this upcoming visit. Press coverage throughout the visit, and the final April 10 press briefing will be very important he said.
SCHIEFFER